

**ALTA COMMUNITY SCHOOL DISTRICT
ALTA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

YEAR ENDED JUNE 30, 2004

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13-14
Statement of Activities	B 15-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 22
Statement of Cash Flows	I 23-24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 25
Notes to Financial Statements	26-44
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund	45-46
Budget to GAAP Reconciliation	47
Notes to Required Supplementary Information - Budgetary Reporting	48

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Other Supplementary Information:		
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	49
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	51
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	4	52
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	53
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		54-55
Schedule of Findings		56-59

Alta Community School District
Alta, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2003 Election)

Wesley Holmes	President	2004
Kevin Cone	Vice President	2003
Richard Marshall	Board Member	2005
Deb Hinkeldey	Board Member	2003
Valerie Rosenthal	Board Member	2005

Board of Education

(After September 2003 Election)

Wesley Holmes	President	2004
Richard Marshall	Vice President	2005
Valerie Rosenthal	Board Member	2005
Warren Larson	Board Member	2006
Suzette Radke	Board Member	2006

School Officials

Dr. Fred Maharry	Superintendent	2004
Angela Meyer	District Secretary/Treasurer and Business Manager	2004
Gruhn Law Firm	Attorney	Indefinite

Independent Auditor's Report

To the Board of Education of
Alta Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District, Alta, Iowa, as of and for the year ended June 30, 2004, which along with the discretely presented component unit, collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

The financial statements of Alta Community Educational Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. Alta Community Educational Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100 percent of the assets, and revenues, of the District's aggregate discretely presented component units.

Because Alta Community Educational Foundation financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the Alta Community School District, as of and for the year ended June 30, 2004.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Alta Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Alta Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2004 on our consideration of Alta Community School District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 45 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alta Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alta Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,104,869 in fiscal 2003 to \$4,105,540 in fiscal 2004, while General Fund expenditures increased from \$4,026,432 in fiscal 2003 to \$4,502,725 in fiscal 2004. The District's General Fund balance decreased from \$900,820 in fiscal 2003 to \$504,640 in fiscal 2004, a 44% decrease.
- The increase in expenditures was due primarily to the addition of the new middle school and supplies, equipment and services needed for it and an increase in the negotiated salary and benefits and restricted grant expenditures. Another reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2004. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance. Purchases for supplies and equipment increased approximately \$210,000 from 2003 to 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alta Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alta Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alta Community School District acts solely as an agent or custodian for the benefit of those outside of school government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using the accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statement, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities	Business type Activities	Total District
	<u>June 30, 2004</u>	<u>June 30, 2004</u>	<u>June 30, 2004</u>
Current and other assets	\$ 2,854	68	2,922
Capital assets	<u>3,978</u>	<u>27</u>	<u>4,005</u>
Total assets	<u>6,832</u>	<u>95</u>	<u>6,927</u>
Long-term liabilities	3,269	---	3,269
Other liabilities	<u>2,290</u>	<u>---</u>	<u>2,290</u>
Total liabilities	<u>5,559</u>	<u>---</u>	<u>5,559</u>
Net assets:			
Invested in capital assets, net of related debt	723	27	750
Restricted	18	---	18
Unrestricted	<u>532</u>	<u>68</u>	<u>600</u>
Total net assets	<u>\$ 1,273</u>	<u>95</u>	<u>1,368</u>
	=====	=====	=====

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities	Business type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$ 317	89	406
Operating grants, contributions and restricted interest	512	120	632
Capital grants, contributions and restricted interest	14	---	14
General revenues:			
Property tax	1,866	---	1,866
Income surtax	219	---	219
Unrestricted state grants	1,822	---	1,822
Unrestricted investment earnings	11	---	11
Other	<u>81</u>	<u>---</u>	<u>81</u>
Total revenues	<u>4,842</u>	<u>209</u>	<u>5,051</u>
Program expenses:			
Governmental activities:			
Instruction	3,110	---	3,110
Support services	1,438	---	1,438
Non-instructional programs	25	199	224
Other expenses	<u>451</u>	<u>---</u>	<u>451</u>
Total expenses	<u>5,024</u>	<u>199</u>	<u>5,223</u>
Change in net assets	<u>\$ (182)</u>	<u>10</u>	<u>(172)</u>
	=====	=====	=====

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,726,396 and expenses were \$6,120,218.

Business Type Activities

Revenues for business type activities were \$209,615 and expenses were \$199,114. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Alta Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$474,573 below last year's ending fund balances of \$1,867,390. However, the primary reason for the decrease in combined fund balances in fiscal 2004 is due to approximately \$1 million of capital projects costs.

Governmental Fund Highlights

- The General Fund balance decreased from \$900,820 to \$504,650, due to construction of a new middle school and furnishings and supplies needed to equip it and in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing expenditure commitments of the District.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit of \$40,396 in fiscal 2003 to a surplus of \$10,462 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.
- The Capital Projects Fund balance decreased from \$998,733 in fiscal 2003 to a deficit of \$48,963 in fiscal 2004 due to the completion of the elementary and middle school addition.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$84,260 at June 30, 2003 to \$94,761 at June 30, 2004, representing an increase of approximately 12%. For fiscal 2004, the District increased meal prices, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Alta Community School District amended its annual budget one time to reflect additional expenditures associated with the elementary and middle school building capital project activity.

The District's receipts were \$52,870 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. However, the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$172,753.

The original cost of the District's capital assets was \$5.5 million. Governmental funds account for \$5.4 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress and building category. The District's construction in progress was completed at June 30, 2004 and the total construction cost of \$3,572,822 was transferred to the cost of the elementary and middle school building.

Long-Term Debt

At June 30, 2004, the District had \$3,268,726 in general obligation, and other long-term debt outstanding. This represents a decrease of approximately 3.5% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Buena Vista County has advised the District that the District's total taxable valuation will be very similar to property taxes collected in fiscal 2004. The wind towers in the District have added significantly to property values and helped reduce property taxes.
- The District experienced a decline in enrollment after the enrollment increased during the past two years.
- Fiscal 2004 was another year in which a one-year agreement was reached with the Alta Education Association. The District will negotiate a new agreement during fiscal 2005. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Meyer, District Secretary/Treasurer and Business Manager, Alta Community School District, 101 W. 5th Street, Alta, Iowa, 51002.

Basic Financial Statements

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Primary Government			Component
	Governmental	Business Type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Educational</u> <u>Foundation</u>
Assets				
Cash and cash equivalents and pooled investments	\$ 865,630	88,922	954,552	305,362
Receivables:				
Property tax:				
Delinquent	17,983	-	17,983	-
Succeeding year	1,725,000	-	1,725,000	-
Accounts	5,109	-	5,109	-
Due from other governments	210,832	-	210,832	-
Due from other funds	29,172	(29,172)	-	-
Inventories	-	7,634	7,634	-
Prepaid expenses	-	851	851	-
Capital assets, net of accumulated depreciation	3,978,150	26,526	4,004,676	-
Total assets	<u>6,831,876</u>	<u>94,761</u>	<u>6,926,637</u>	<u>305,362</u>
Liabilities				
Excess of warrants issued over bank balance	41,569	-	41,569	-
Accounts payable	50,462	-	50,462	-
Salaries and benefits payable	446,521	-	446,521	-
Early retirement payable	947	-	947	-
Accrued interest payable	25,809	-	25,809	-
Deferred revenue - succeeding year property tax	1,725,000	-	1,725,000	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	125,000	-	125,000	-
Early retirement payable	11,586	-	11,586	-
Portion due after one year:				
General obligation bonds payable	3,130,000	-	3,130,000	-
Early retirement payable	2,140	-	2,140	-
Total liabilities	<u>5,559,034</u>	<u>-</u>	<u>5,559,034</u>	<u>-</u>

(continued)

Alta Community School District
Alta, Iowa

Exhibit A

Statement of Net Assets

June 30, 2004

	Primary Government			Component
	Governmental	Business Type		Unit
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Educational</u> <u>Foundation</u>
Net assets				
Invested in capital assets, net of related debt	723,150	26,526	749,676	-
Restricted for:				
Management levy	(16,686)	-	(16,686)	-
Physical plant and equipment levy	10,462	-	10,462	-
Other special revenue purposes	24,259	-	24,259	-
Foundation purposes	-	-	-	305,362
Unrestricted	<u>531,657</u>	<u>68,235</u>	<u>599,892</u>	<u>-</u>
Total net assets	<u>\$ 1,272,842</u>	<u>94,761</u>	<u>1,367,603</u>	<u>305,362</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa
Statement of Activities
Year ended June 30, 2004

		Program Revenues		
		Charges for	Operating Grants,	Capital Grants,
		Service	Contributions	Contributions
			and Restricted	and Restricted
	Expenses		Interest	Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,160,751	145,767	186,150	-
Special instruction	481,659	26,514	128,298	-
Other instruction	467,522	143,913	4,429	-
	<u>3,109,932</u>	<u>316,194</u>	<u>318,877</u>	<u>-</u>
Support services:				
Student services	98,313	-	13,090	-
Instructional staff services	144,390	-	3,900	-
Administration services	509,405	-	1,000	-
Operation and maintenance of plant services	536,835	567	-	-
Transportation services	149,113	-	4,071	-
	<u>1,438,056</u>	<u>567</u>	<u>22,061</u>	<u>-</u>
Non-instructional programs	<u>25,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	10,624	-	-	13,500
Long-term debt interest	185,765	-	-	-
AEA flowthrough	171,338	-	171,338	-
Depreciation (unallocated)*	83,428	-	-	-
	<u>451,155</u>	<u>-</u>	<u>171,338</u>	<u>13,500</u>
Total governmental activities	5,024,311	316,761	512,276	13,500
Business type activities:				
Non-instructional programs:				
Food service operations	199,114	88,697	120,675	-
Total primary government	<u>\$ 5,223,425</u>	<u>405,458</u>	<u>632,951</u>	<u>13,500</u>
Component Unit:				
Educational Foundation	<u>\$ 90,094</u>	<u>-</u>	<u>226,369</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Educational Foundation
(1,828,834)	-	(1,828,834)	-
(326,847)	-	(326,847)	-
(319,180)	-	(319,180)	-
<u>(2,474,861)</u>	<u>-</u>	<u>(2,474,861)</u>	<u>-</u>
(85,223)	-	(85,223)	-
(140,490)	-	(140,490)	-
(508,405)	-	(508,405)	-
(536,268)	-	(536,268)	-
(145,042)	-	(145,042)	-
<u>(1,415,428)</u>	<u>-</u>	<u>(1,415,428)</u>	<u>-</u>
<u>(25,168)</u>	<u>-</u>	<u>(25,168)</u>	<u>-</u>
2,876	-	2,876	-
(185,765)	-	(185,765)	-
-	-	-	-
(83,428)	-	(83,428)	-
<u>(266,317)</u>	<u>-</u>	<u>(266,317)</u>	<u>-</u>
<u>(4,181,774)</u>	<u>-</u>	<u>(4,181,774)</u>	<u>-</u>
-	10,258	10,258	-
<u>(4,181,774)</u>	<u>10,258</u>	<u>(4,171,516)</u>	<u>-</u>
-	-	-	136,275
\$ 1,586,207	-	1,586,207	-
279,858	-	279,858	-
219,259	-	219,259	-
1,821,629	-	1,821,629	-
11,327	243	11,570	3,849
81,238	-	81,238	-
<u>3,999,518</u>	<u>243</u>	<u>3,999,761</u>	<u>3,849</u>
(182,256)	10,501	(171,755)	140,124
1,455,098	84,260	1,539,358	165,238
<u>\$ 1,272,842</u>	<u>94,761</u>	<u>1,367,603</u>	<u>305,362</u>

Alta Community School District
Alta, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 795,211	34,961	99	35,359	865,630
Receivables:					
Property tax:					
Delinquent	14,133	2,647	-	1,203	17,983
Succeeding year	1,367,000	280,000	-	78,000	1,725,000
Accounts	5,109	-	-	-	5,109
Due from other funds	140,919	-	-	-	140,919
Due from other governments	159,814	-	51,018	-	210,832
Total assets	<u>\$ 2,482,186</u>	<u>317,608</u>	<u>51,117</u>	<u>114,562</u>	<u>2,965,473</u>
Liabilities and Fund Balances					
Liabilities:					
Excess of warrants issued over					
bank balance	\$ -	-	25,080	16,489	41,569
Accounts payable	49,371	-	-	1,091	50,462
Salaries and benefits payable	446,521	-	-	-	446,521
Due to other funds	-	36,747	75,000	-	111,747
Deferred revenue:					
Succeeding year property tax	1,367,000	280,000	-	78,000	1,725,000
Other	114,654	-	-	-	114,654
Early retirement payable	-	-	-	947	947
Total liabilities	<u>1,977,546</u>	<u>316,747</u>	<u>100,080</u>	<u>96,527</u>	<u>2,490,900</u>
Fund balances:					
Reserved for Phase III	6,018	-	-	-	6,018
Reserved for debt service	-	861	-	-	861
Reserved for Iowa Early Intervention					
Block Grant	30,564	-	-	-	30,564
Unreserved	468,058	-	(48,963)	18,035	437,130
Total fund balances	<u>504,640</u>	<u>861</u>	<u>(48,963)</u>	<u>18,035</u>	<u>474,573</u>
Total liabilities and fund balances	<u>\$ 2,482,186</u>	<u>317,608</u>	<u>51,117</u>	<u>114,562</u>	<u>2,965,473</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 17)	\$ 474,573
--	-------------------

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,978,150
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	114,654
---	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(25,809)
--	----------

Long-term liabilities, including bonds payable and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,268,726)</u>
---	--------------------

Net assets of governmental activities (page 14)	<u><u>\$ 1,272,842</u></u>
--	-----------------------------------

See notes to financial statements.

Alta Community School District

Exhibit E

Alta, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 1,568,330	279,858	-	125,366	1,973,554
Tuition	159,890	-	-	-	159,890
Other	46,388	-	57,985	144,059	248,432
State sources	2,173,520	-	-	88	2,173,608
Federal sources	<u>157,412</u>	<u>-</u>	<u>-</u>	<u>13,500</u>	<u>170,912</u>
Total revenues	<u>4,105,540</u>	<u>279,858</u>	<u>57,985</u>	<u>283,013</u>	<u>4,726,396</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,127,363	-	-	32,901	2,160,264
Special instruction	481,659	-	-	-	481,659
Other instruction	<u>327,939</u>	<u>-</u>	<u>-</u>	<u>139,583</u>	<u>467,522</u>
	<u>2,936,961</u>	<u>-</u>	<u>-</u>	<u>172,484</u>	<u>3,109,445</u>
Support services:					
Student services	98,313	-	-	-	98,313
Instructional staff services	144,390	-	-	-	144,390
Administration services	507,814	-	-	-	507,814
Operation and maintenance of plant services	<u>489,623</u>	<u>-</u>	<u>-</u>	<u>41,075</u>	<u>530,698</u>
	<u>129,118</u>	<u>-</u>	<u>-</u>	<u>7,673</u>	<u>136,791</u>
Transportation services	<u>1,369,258</u>	<u>-</u>	<u>-</u>	<u>48,748</u>	<u>1,418,006</u>
Non-instructional programs	<u>25,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,168</u>
Other expenditures:					
Facilities acquisition	-	-	1,105,681	10,624	1,116,305
Long-term debt:					
Principal	-	120,000	-	-	120,000
Interest and fiscal charges	-	159,956	-	-	159,956
AEA flowthrough	<u>171,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,338</u>
	<u>171,338</u>	<u>279,956</u>	<u>1,105,681</u>	<u>10,624</u>	<u>1,567,599</u>
Total expenditures	<u>4,502,725</u>	<u>279,956</u>	<u>1,105,681</u>	<u>231,856</u>	<u>6,120,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(397,185)</u>	<u>(98)</u>	<u>(1,047,696)</u>	<u>51,157</u>	<u>(1,393,822)</u>
Other financing sources:					
Sale of supplies	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005</u>
Total other financing sources	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005</u>
Net change in fund balances	<u>(396,180)</u>	<u>(98)</u>	<u>(1,047,696)</u>	<u>51,157</u>	<u>(1,392,817)</u>
Fund balances beginning of year	<u>900,820</u>	<u>959</u>	<u>998,733</u>	<u>(33,122)</u>	<u>1,867,390</u>
Fund balances end of year	<u>\$ 504,640</u>	<u>861</u>	<u>(48,963)</u>	<u>18,035</u>	<u>474,573</u>

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2004

Net change in fund balances - total governmental funds (page 19) \$ (1,392,817)

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,171,716	
Depreciation expense	<u>(168,315)</u>	1,003,401

Certain unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

114,654

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repaid long-term liabilities	120,000
------------------------------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(25,809)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(1,685)</u>
------------------	----------------

Change in net assets of governmental activities (page 16) \$ (182,256)

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2004

School
Nutrition

Assets

Cash and cash equivalents	\$ 88,922
Inventories	7,634
Prepaid expenses	851
Capital assets, net of accumulated depreciation	<u>26,526</u>
Total assets	<u>123,933</u>

Liabilities

Due to other funds	<u>29,172</u>
Total liabilities	<u>29,172</u>

Net Assets

Invested in capital assets, net of related debt	26,526
Unrestricted	<u>68,235</u>
Total net assets	<u>\$ 94,761</u>

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 88,128
Miscellaneous	569
Total operating revenues	<u>88,697</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	85,631
Benefits	11,452
Purchased services	4,944
Supplies	92,100
Depreciation	4,438
Other	549
Total operating expenses	<u>199,114</u>
Operating loss	<u>(110,417)</u>
Non-operating revenues:	
State sources	3,276
Federal sources	117,399
Interest income	243
Total non-operating revenues	<u>120,918</u>
Change in net assets	10,501
Net assets beginning of year	<u>84,260</u>
Net assets end of year	<u>\$ 94,761</u>
See notes to financial statements.	

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

Cash flows from operating activities:

Cash received from sale of lunches and breakfasts	\$ 88,128
Cash received from miscellaneous operating activities	569
Cash paid to employees for services	(78,613)
Cash paid to suppliers for goods or services	<u>(68,788)</u>
Net cash used by operating activities	<u>(58,704)</u>

Cash flows from non-capital financing activities:

State grants received	3,276
Federal grants received	<u>89,594</u>
Net cash provided by non-capital financing activities	<u>92,870</u>

Cash flows from capital and related financing activities:

Acquisition of capital assets	<u>(20,330)</u>
-------------------------------	-----------------

Cash flows from investing activities:

Interest on investments	<u>243</u>
-------------------------	------------

Net increase in cash and cash equivalents 14,079

Cash and cash equivalents beginning of year 74,843

Cash and cash equivalents end of year \$ 88,922

(continued)

Alta Community School District
Alta, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2004

School
Nutrition

**Reconciliation of operating loss to net cash used by
operating activities:**

Operating loss	\$ (110,417)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	27,805
Depreciation	4,438
Decrease in inventories	1,851
(Increase) in prepaid expenses	(851)
Increase in due to other funds	18,470
Net cash used by operating activities	<u>\$ (58,704)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$27,805
of federal commodities.

See notes to financial statements.

Alta Community School District
Alta, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

Agency

Assets

Cash and pooled investments	\$ 6,775
Other receivables	<u>702</u>
Total assets	<u>7,477</u>

Liabilities

Other	<u>7,477</u>
Total liabilities	<u>7,477</u>

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Alta Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alta, Iowa, and the predominate agricultural territory in Buena Vista, Cherokee and Sac counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Alta Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

These financial statements present the Alta Community School District and its component unit. Its component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Discretely Presented Component Unit – The Alta Community Educational Foundation

is a separate nonprofit organization whose purpose is to raise funds for the library, technology and music programs of the District. The records are maintained on the basis of cash and receipts and disbursements, with December 31 as its year end. The Alta Community Educational Foundation meets the definition of a component unit which should be discretely presented. The Foundation's financial statements have not been audited and we do not express an opinion on them.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	Estimated Useful Lives (<u>In Years</u>)
Buildings	50 Years
Improvements other than buildings	20 Years
Furniture and equipment	5-12 Years

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. An accrual for earned but unused sick leave is not recorded in these financial statements because sick leave can only be used for time off for illness.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$99 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, School Nutrition	\$ 29,172
General	Capital Projects	75,000
General	Debt Service	<u>36,747</u>
		<u>\$ 140,919</u>
		=====

The School Nutrition Fund is repaying the General Fund for wages for the cooks that did not get reimbursed back to the General Fund by June 30, 2004.

The Capital Projects Fund and the Debt Service Fund are repaying the General Fund for advances the General Fund made to help cover expenses during the year ended June 30, 2004.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 9)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 28,140	---	---	28,140
Construction in progress	<u>2,467,141</u>	<u>1,105,681</u>	<u>(3,572,822)</u>	<u>---</u>
Total capital assets not being depreciated	<u>2,495,281</u>	<u>1,105,681</u>	<u>(3,572,822)</u>	<u>28,140</u>
Capital assets being depreciated:				
Buildings	842,578	3,572,822	---	4,415,400
Improvements other than buildings	319,805	---	---	319,805
Furniture and equipment	<u>681,293</u>	<u>66,035</u>	<u>(18,908)</u>	<u>728,420</u>
Total capital assets being depreciated	<u>1,843,676</u>	<u>3,638,857</u>	<u>(18,908)</u>	<u>5,463,625</u>
Less accumulated depreciation for:				
Buildings	644,524	83,428	---	727,952
Improvements other than buildings	211,944	13,969	---	225,913
Furniture and equipment	<u>507,740</u>	<u>70,918</u>	<u>(18,908)</u>	<u>559,750</u>
Total accumulated depreciation	<u>1,364,208</u>	<u>168,315</u>	<u>(18,908)</u>	<u>1,513,615</u>
Total capital assets being depreciated, net	<u>479,468</u>	<u>3,470,542</u>	<u>---</u>	<u>3,950,010</u>
Governmental activities capital assets, net	<u>\$ 2,974,749</u>	<u>4,576,223</u>	<u>(3,572,822)</u>	<u>3,978,150</u>

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 34,460	20,330	(1,405)	53,385
Less accumulated depreciation	<u>23,826</u>	<u>4,438</u>	<u>(1,405)</u>	<u>26,859</u>
Business type activities capital assets, net	\$ 10,634	15,892	---	26,526
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

41,071

Support services:

Administration

2,375

Operation and maintenance of plant

13,969

Transportation

27,472

Unallocated

83,428

Total depreciation expense – governmental activities

\$ 168,315

Business type activities:

Food service operations

\$ 4,438

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,375,000	---	120,000	3,255,000	125,000
Early retirement	<u>12,041</u>	<u>6,849</u>	<u>5,164</u>	<u>13,726</u>	<u>11,586</u>
Total	<u>\$ 3,387,041</u>	<u>6,849</u>	<u>125,164</u>	<u>3,268,726</u>	<u>136,586</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives for each eligible employee are computed on a per diem basis according to the employee's current salary less additional pay. Early retirement expenditures for the year ended June 30, 2004 totaled \$5,320.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2002			
	Interest Rates	Principal	Interest	Total
2005	4.00%	\$ 125,000	\$ 154,855	\$ 279,855
2006	5.25	130,000	149,855	279,855
2007	5.50	140,000	143,030	283,030
2008	5.50	145,000	135,330	280,330
2009	5.40	155,000	127,355	282,355
2010-2014	4.15-4.55	890,000	522,798	1,412,798
2015-2019	4.65-4.85	1,135,000	299,585	1,434,585
2020-2021	4.90	<u>535,000</u>	<u>39,690</u>	<u>574,690</u>
Total		<u>\$ 3,255,000</u>	<u>\$ 1,572,498</u>	<u>\$ 4,827,498</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$147,140, \$141,868 and \$143,021, respectively, equal to the required contributions for each year.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (the Association) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to the Association funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$275,542.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by the Association to protect against large claims, but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

The Association will pay claims incurred before the termination date.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

The District exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$171,338 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

The government-wide financial statements separate the District's program between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenue	
Net assets June 30, 2003, as previously reported	\$ 900,820	959	998,733	(33,122)	1,867,390
GASB Interpretation 6 adjustments	---	---	---	---	---
Net assets July 1, 2003, as restated for governmental funds	\$ 900,820	959	998,733	(33,122)	1,867,390
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,364,208					2,974,749
Long-term liabilities:					
Bonds and notes				3,375,000	
Early retirement				<u>12,041</u>	<u>(3,387,041)</u>
Net assets July 1, 2003, as restated					<u>\$ 1,455,098</u>

(10) Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$48,963 at June 30, 2004. The deficit will be eliminated by the receipt of local option sales tax in future years. The deficit balance in the Capital Projects Fund was due to expenditures for the elementary and middle school building addition.

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

The Special Revenue, Management Levy Fund had a deficit fund balance of \$16,686 at June 30, 2004. The deficit will be eliminated by the receipt of property tax in future years. The deficit in the Management Levy Fund was due to expenditures for early retirement in anticipation of future tax levies.

(11) Operating Leases

The District entered into an operating lease with Star Leasing Inc. for the rental of a digital copier on July 25, 2002 for a period of 36 months. The amount paid for the fiscal year ended June 30, 2004 was \$1,030. Future rentals are schedule as follows:

Year Ending <u>June 30,</u>	
2005	\$ 1,030
2006	<u>86</u>
Total	<u>\$ 1,116</u> =====

The District entered into an operating lease with Star Leasing Inc. for the rental of two copiers on June 26, 2003 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2004 was \$9,516. Future rentals are scheduled as follows:

Year Ending <u>June 30,</u>	
2005	\$ 11,361
2006	11,361
2007	11,361
2008	11,361
2009	<u>1,892</u>
Total	<u>\$ 47,336</u> =====

Alta Community School District
Alta, Iowa

Notes to Financial Statements

June 30, 2004

The District entered into an operating lease with Star Leasing, Inc. for the rental of a copier on June 25, 2004 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2004 was \$335. Future rentals are schedule as follows:

Year Ending <u>June 30,</u>	
2005	\$ 3,431
2006	3,431
2007	3,431
2008	3,431
2009	<u>3,145</u>
Total	\$ 16,869 =====

(12) Subsequent Event

On August 23, 2004 the District purchased real estate in Buena Vista County for \$62,925 of which no amount has been paid.

Payments are scheduled in six annual payments as follows:

First payment in the amount of \$12,765 due on February 20, 2005;
Second payment in the amount of \$10,320 due on February 20, 2006;
Third payment in the amount of \$10,176 due on February 20, 2007;
Fourth payment in the amount of \$10,032 due on February 20, 2008;
Fifth payment in the amount of \$9,888 due on February 20, 2009;
and sixth and final payment in the amount of \$9,744 due on February 20, 2010.

Required Supplementary Information

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balance -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Receipts:		
Local sources	\$ 2,373,383	88,940
State sources	2,174,837	3,276
Federal sources	<u>176,260</u>	<u>89,594</u>
Total receipts	<u>4,724,480</u>	<u>181,810</u>
Disbursements:		
Instruction	3,087,299	-
Support services	1,367,108	-
Non-instructional programs	44,739	167,731
Other expenditures	<u>1,567,598</u>	<u>-</u>
Total disbursements	<u>6,066,744</u>	<u>167,731</u>
Excess (deficiency) of receipts over (under) disbursements	(1,342,264)	14,079
Other financing sources	<u>1,005</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(1,341,259)	14,079
Balances beginning of year	<u>2,165,320</u>	<u>74,843</u>
Balances end of year	<u><u>\$ 824,061</u></u>	<u><u>88,922</u></u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
2,462,323	2,512,333	2,512,333	(50,010)
2,178,113	2,203,827	2,203,827	(25,714)
<u>265,854</u>	<u>243,000</u>	<u>243,000</u>	<u>22,854</u>
<u>4,906,290</u>	<u>4,959,160</u>	<u>4,959,160</u>	<u>(52,870)</u>
3,087,299	3,182,714	3,182,714	(95,415)
1,367,108	1,685,575	1,685,575	(318,467)
212,470	341,466	341,466	(128,996)
1,567,598	<u>1,069,830</u>	<u>1,394,830</u>	172,768
<u>6,234,475</u>	<u>6,279,585</u>	<u>6,604,585</u>	<u>(370,110)</u>
(1,328,185)	(1,320,425)	(1,645,425)	317,240
<u>1,005</u>	<u>-</u>	<u>-</u>	<u>1,005</u>
(1,327,180)	(1,320,425)	(1,645,425)	318,245
<u>2,240,163</u>	<u>1,859,572</u>	<u>1,859,572</u>	<u>380,591</u>
<u>912,983</u>	<u>539,147</u>	<u>214,147</u>	<u>698,836</u>

Alta Community School District
Alta, Iowa

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information
Year ended June 30, 2004

	Governmental Funds		
	Cash <u>Basis</u>	Accrual Adjust- ments	Modified Accrual <u>Basis</u>
Revenues	\$ 4,724,480	1,916	4,726,396
Expenditures	6,066,744	53,474	6,120,218
Net	(1,342,264)	(51,558)	(1,393,822)
Other financing sources, net	1,005	-	1,005
Beginning fund balances	2,165,320	(297,930)	1,867,390
Ending fund balances	<u>\$ 824,061</u>	<u>(349,488)</u>	<u>474,573</u>

	Proprietary Fund		
	Enterprise		
	Cash <u>Basis</u>	Accrual Adjust- ments	Accrual <u>Basis</u>
Revenues	\$ 181,810	27,805	209,615
Expenses	167,731	31,383	199,114
Net	14,079	(3,578)	10,501
Beginning net assets	74,843	9,417	84,260
Ending net assets	<u>\$ 88,922</u>	<u>5,839</u>	<u>94,761</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$325,000.

During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amounts budgeted.

Other Supplementary Information

Alta Community School District
Alta, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

Assets	Manage- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Cash and pooled investments	\$ -	25,350	10,009	35,359
Receivables:				
Property tax:				
Delinquent	750	-	453	1,203
Succeeding year	<u>78,000</u>	<u>-</u>	<u>-</u>	<u>78,000</u>
Total assets	<u><u>\$ 78,750</u></u>	<u><u>25,350</u></u>	<u><u>10,462</u></u>	<u><u>114,562</u></u>
Liabilities and Fund Equity				
Liabilities:				
Excess of warrants issued over bank balance	\$ 16,489	-	-	16,489
Accounts payable	-	1,091	-	1,091
Deferred revenue:				
Succeeding year property tax	78,000	-	-	78,000
Early retirement payable	<u>947</u>	<u>-</u>	<u>-</u>	<u>947</u>
Total liabilities	95,436	1,091	-	96,527
Fund equity:				
Unreserved fund balances	<u>(16,686)</u>	<u>24,259</u>	<u>10,462</u>	<u>18,035</u>
Total liabilities and fund equity	<u><u>\$ 78,750</u></u>	<u><u>25,350</u></u>	<u><u>10,462</u></u>	<u><u>114,562</u></u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Mange- ment <u>Levy</u>	Student <u>Activity</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 77,417	-	47,949	-
Other	-	144,059	-	144,059
State sources	55	-	33	88
Federal sources	-	-	13,500	13,500
Total revenues	<u>77,472</u>	<u>144,059</u>	<u>61,482</u>	<u>283,013</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	32,901	-	-	32,901
Other instruction	-	139,583	-	139,583
Support services:				
Operation and maintenance of plant services	41,075	-	-	41,075
Transportation services	7,673	-	-	7,673
Other expenditures:				
Facilities acquisition	-	-	10,624	10,624
Total expenditures	<u>81,649</u>	<u>139,583</u>	<u>10,624</u>	<u>231,856</u>
Excess (deficiency) of revenues over (under) expenditures	(4,177)	4,476	50,858	51,157
Fund balances beginning of year	<u>(12,509)</u>	<u>19,783</u>	<u>(40,396)</u>	<u>(33,122)</u>
Fund balances end of year	<u>\$ (16,686)</u>	<u>24,259</u>	<u>10,462</u>	<u>18,035</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
After School Program	\$ 2,268	7,300	4,117	-	5,451
Athletics	14,224	34,460	40,784	-	7,900
Ball Field	5,034	6,365	6,529	-	4,870
Baseball	(2,939)	1,787	1,222	-	(2,374)
Book Fair	821	3,570	3,620	-	771
Boys Basketball	(2,085)	7,203	4,946	-	172
Cheerleaders	184	1,258	1,165	-	277
Class of 2003	(1,007)	-	-	1,007	-
Class of 2004	106	4,100	4,479	-	(273)
Class of 2005	79	7,190	7,019	-	250
Class of 2006	221	126	91	-	256
Class of 2007	-	159	58	-	101
Grades 5 and 6	22	1,377	1,373	-	26
Danceline	(44)	4,400	2,544	-	1,812
Drama	283	2,966	3,279	-	(30)
Elem Computer	(54)	-	-	-	(54)
Elem Memory Book	1,701	293	854	-	1,140
FCA	25	1,170	1,146	-	49
FFA	564	6,099	6,335	-	328
FHA	643	1,569	1,857	-	355
Football	424	6,894	7,151	-	167
Interest	4,914	3,447	2,632	-	5,729
Girls Basketball	591	4,175	2,360	-	2,406
Middle School	79	745	745	-	79
Middle School Band	618	2,709	2,457	-	870
High School Band	(442)	900	1,098	-	(640)
P.I.E.	62	-	-	-	62
Clothing	(811)	-	-	811	-
Softball	(891)	2,086	1,025	-	170
Spanish	4,265	-	-	(4,265)	-
Speech Club	11	4,775	4,557	-	229
Student Council	7,325	13,229	12,637	-	7,917
Vocal Music	(107)	21	28	-	(114)
Volleyball	644	8,312	6,637	-	2,319
JH Wrestlers	(1,251)	401	48	898	-
Yearbook	(15,811)	4,973	6,813	1,549	(16,102)
Girls Track	(23)	-	(23)	-	-
Elem Activity	140	-	-	-	140
Total	<u>\$ 19,783</u>	<u>144,059</u>	<u>139,583</u>	<u>-</u>	<u>24,259</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2004

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 7,226	44,367	44,818	6,775
Other receivables	<u>-</u>	<u>702</u>	<u>-</u>	<u>702</u>
Total assets	<u>\$ 7,226</u>	<u>45,069</u>	<u>44,818</u>	<u>7,477</u>
Liabilities				
Other payables	<u>\$ 7,226</u>	<u>45,069</u>	<u>44,818</u>	<u>7,477</u>
Total liabilities	<u>\$ 7,226</u>	<u>45,069</u>	<u>44,818</u>	<u>7,477</u>

See accompanying independent auditor's report.

Alta Community School District
Alta, Iowa

Schedule 5

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Two Years

	Modified Accrual Basis	
	<u>2004</u>	<u>2003</u>
Revenues:		
Local sources:		
Local tax	\$ 1,973,554	1,857,856
Tuition	159,890	197,376
Other	248,432	225,875
State sources	2,173,608	2,202,054
Federal sources	170,912	175,036
Total	<u>\$ 4,726,396</u>	<u>4,658,197</u>
Expenditures:		
Instruction:		
Regular instruction	\$ 2,160,264	2,010,212
Special instruction	481,659	405,782
Other instruction	467,522	419,428
Support services:		
Student services	98,313	81,407
Instructional staff services	144,390	126,844
Administration services	507,814	437,464
Operation and maintenance of plant services	530,698	406,149
Transportation services	136,791	125,634
Non-instructional programs	25,168	38,996
Other expenditures:		
Facilities acquisition	1,116,305	2,446,180
Long-term debt:		
Principal	120,000	25,000
Interest and other charges	159,956	187,584
AEA flowthrough	171,338	182,198
Total	<u>\$ 6,120,218</u>	<u>6,892,878</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Alta Community School District:

We have audited the financial statements of Alta Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Alta Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances on non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-G-04, and II-K-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alta Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal

control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alta Community School District and other parties to whom Alta Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alta Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 2004

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts journal were all done by the same person. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Undocumented Disbursements – Supporting documentation was not available for one student activity disbursement.

Recommendation – The District should implement procedures to insure supporting documentation is retained.

Response – We will have supporting documentation for each disbursement.

Conclusion – Response accepted.

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004, exceeded the amended certified budget in the other expenditures function.

Recommendation – The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to insure the budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. We did note however, that the school nutrition checks were not properly signed by the Board President and Secretary in accordance with Chapters 291.1 and 291.8 of the Code of Iowa.

Recommendation – The school nutrition checks should be signed by the Board President and Board Secretary.

Response – This was an oversight this year. The previous Board Secretary who had resigned was still employed by the District and continued to sign the school nutrition checks. In the future we will have the new Board Secretary sign the nutrition checks.

Conclusion – Response accepted.

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2004

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of

District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-F-04 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted. We noted however, that the minutes were not always published timely as required by Chapter 279.35 of the Code. We also noted the minutes were not signed and the specific exemption under Chapter 21.5 of the Code for going into a closed session was not documented in the minutes.

Recommendation - The District should insure that all minutes are published within two weeks of the Board meeting as required by the Code and are properly signed. Also, the specific exemption for a closed session should be identified and documented in the minutes.

Response - This was an oversight this year.

Conclusion - Response accepted.

II-H-04 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Alta Community School District
Alta, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education and we noted no significant deficiencies in the amounts reported but the report was filed a few days late.

Recommendation – The District should file timely all reports in the future.

Response – We will do this.

Conclusion – Response accepted.

- II-K-04 Financial Condition - The District had a Special Revenue Fund, Management Levy deficit of \$16,687 at June 30, 2004 and the Student Activities Accounts had a few deficit balances at June 30, 2004. The Capital Projects Fund had a \$48,963 deficit at June 30, 2004.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return the District to a sound financial condition.

Response - We are monitoring these accounts.

Conclusion - Response accepted.